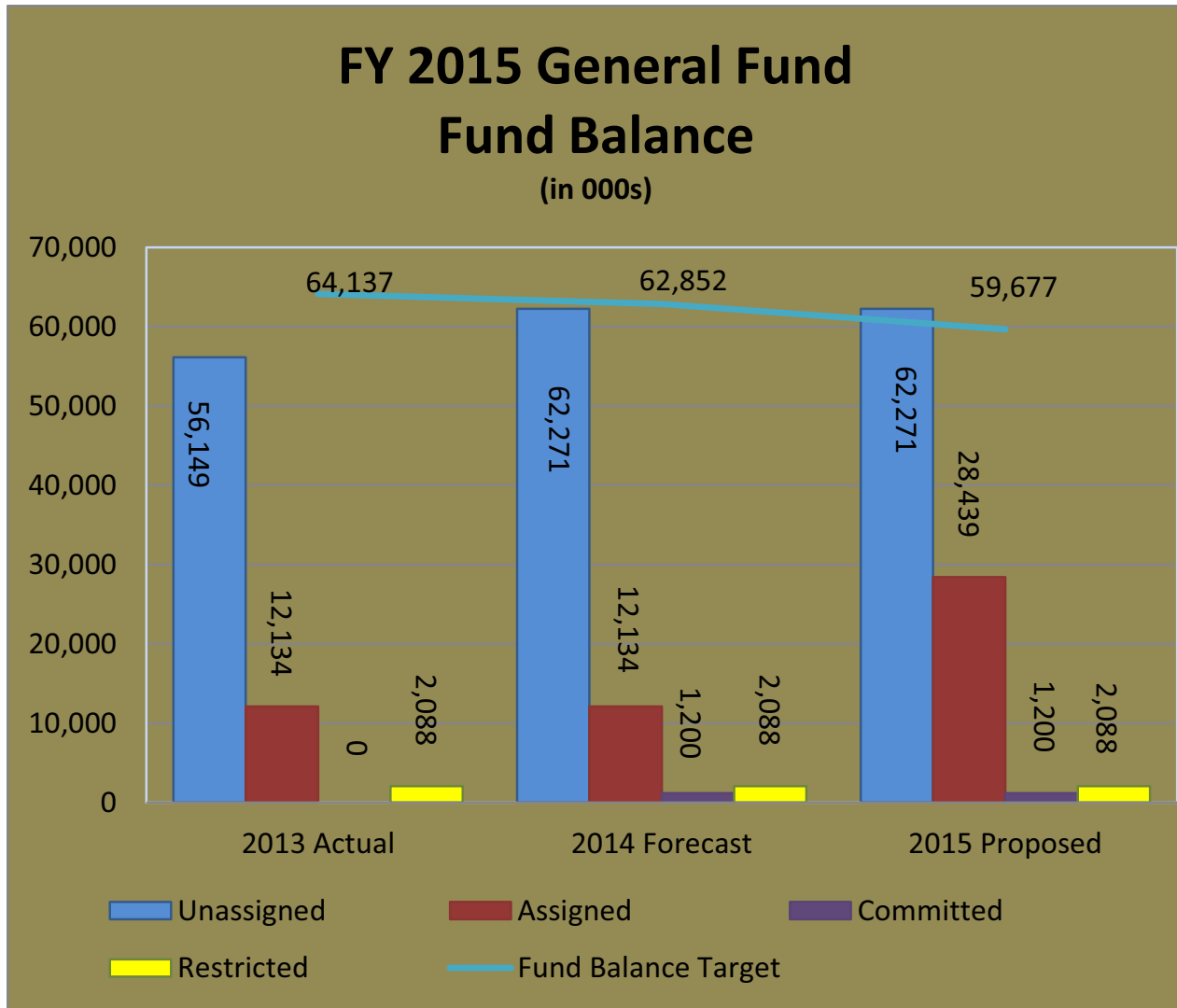

The financial data presented in this section represent the Financial Summary and a written Overview of the revenues and expenses for all of City of Memphis Funds.



BUDGET OVERVIEW

Category	FY 2013 Actual	FY 2014 Adopted	FY 2014 Forecast	FY 2015 Request
Revenues				
Unallocated Revenue				
Local Taxes	420,614,343	420,285,627	427,691,861	408,913,262
State Taxes	58,997,574	54,070,000	55,203,253	55,425,000
License and Permits	10,563,089	10,222,500	11,129,833	10,997,500
Fines and Forfeitures	12,286,950	14,500,000	13,700,476	13,575,000
Charges for services	1,303,407	1,362,500	1,232,835	1,315,000
Use of Money	303,212	349,000	338,225	335,000
Federal Grants	934,442	0	934,442	0
State Grants	164,901	0	164,901	0
Other Revenues	6,317,626	6,911,911	4,598,069	3,475,000
Transfers	57,485,879	72,113,000	76,608,999	72,839,000
Subtotal Unallocated Revenue	568,971,423	579,814,538	591,602,894	566,874,762
DIVISION REVENUES	46,327,915	46,668,029	44,615,188	46,208,040
Total Revenue	615,299,338	626,482,567	636,218,082	613,082,802
Expenses				
Personnel Services	417,237,649	420,361,390	422,603,518	432,521,265
Material & Supplies	107,629,307	109,856,809	117,085,870	109,502,011
Capital Outlay	306,795	427,250	442,471	450,250
Grants & Subsidies	52,041,088	71,175,225	66,774,683	45,984,690
Inventory	205,141	342,839	299,030	342,839
Other	(14,780,624)	59,656	48,609	95,656
Transfer Out	78,732,297	11,179,369	21,269,129	7,880,217
Total Expenditures	641,371,653	613,402,538	628,523,310	596,776,928
Contribution (use) Unassigned Fund Balance	(26,072,315)	13,080,029	7,694,772	0
Contribution (use) Assigned Fund Balance	0	0	0	16,305,874
Fund Balance beginning of year-in millions	96,070	69,998	69,998	77,693
Fund Balance end of year-in millions	69,998	83,078	77,693	93,999





Budget Overview

The City's Mission and Priorities

The City's Mission: to provide responsive and cost effective services through the enhancement of employees, neighborhoods, youth and business development.

The City's Priorities:

1. Create safe and vibrant neighborhoods – *goal:* To enhance crime prevention, provide support for at-risk and ex-offender populations, and promote community partnerships and citizen participation.
2. Grow prosperity and opportunity for all – *goal:* Improved business incentives and business-related government processes and the elimination of barriers related to economic issues.
3. Invest in our young people – *goal:* Education and developing opportunities to retain and attract youth for productive service to our businesses and communities.
4. Advance a culture of excellence in government – *goal:* Reformation of government processes and improvement of organizational coordination, clarification of customer service standards, improving internal quality assessment and accountability, and both increasing and improving opportunities for citizen feedback.

The Fiscal Year 2015 (FY 15) Budget funds all aspects of the aforementioned priorities that will help accomplish to our Mission. However we have two large overarching issues that require attention: pensions and healthcare. Given today's economic reality it is essential that these issues are responsibly confronted in order to restore stability to those areas severely impacted by the great recession of 2008.

General Fund Discussion

The Economic Impact on Budget Planning

Although the Memphis economy is diverse and the City is attracting new businesses, (we look forward to Bass Pro shops opening one of its largest stores nationwide, in December), there is a correlating response in the performance of our local economy with that of the United States economy. As such, The City of Memphis' FY 2015 Budget is presented in the context of the current economic conditions that are impacting the U.S. economy. Consequently, this budget proposal is predicated on the continuing assumption that the Memphis MSA will experience slow to moderate growth during FY 2015, which is reflective of the anticipated economic performance of the U.S. economy in general. In the FY 2015 budget proposal, this translates into moderate revenue growth for our local economy.

While we have seen a leveling off and a slow return to normalcy, we do not anticipate a return to the previous levels of revenue performance experienced in FY 2008. Our new peridorm is that we are confronted with the backdrop of a stagnated population base that is unable to generate sufficient new local revenue to match the pace of costs pressures. Therefore we are ever more diligent in balancing services to match expected revenue resources. In summary, the economic outlook for Memphis is slow but steady growth resulting in relatively flat revenues.

Revenues

The revenue budget was developed relying on, among other considerations, economic research by the University of Memphis (U of M), with particular focus on the forecast and trends for the top ten revenue sources. Based on U of M forecasts and managements' review, we project revenues to remain relatively flat. There are however new programs that have been included in the revenue plan. New fees enter into this budget as a result of updating our parking meter system and adjusting its fee structure. In addition the City will be installing 30 new read light cameras. Fee adjustments in ambulance services and more aggressive collection efforts for delinquent accounts are also initiatives that will contribute to revenue increases. Miscellaneous and one-time revenues are down when compared to the FY 14 budget as those miscellaneous efforts were one time occurrences. Property tax revenues were transferred to the Debt Fund to match the increased cost of debt servicing. As a result, the FY 2015 *general fund budget* is \$613.0 million dollars. This is \$13.4 million less than the FY 2014 adopted budget of \$626.4 million.

REVENUES

Fund Type	FY2014 Adopted	FY2015 Proposed	Inc/ Dec
General Fund	\$ 626,482,567	\$ 613,082,802	\$ (13,399,765)

Notable FY 2015 budget revenue increases and decreases are as follows:

- ❖ \$ 1.0 million – Beer tax
- ❖ \$ 1.1 million – State Sales tax
- ❖ \$ (11.0) million – Revenue (tax rate) moved to Debt Fund
- ❖ \$.8 million – Auto registration fees
- ❖ \$.3 million – Parking meter and fee program
- ❖ \$ 3.2 million – Revenues from the installation of 30 new red light cameras
- ❖ \$ (1.7) million – Court fees
- ❖ \$ (6.0) million – Miscellaneous/Non reoccurring revenues

Expenditures

For FY 2015 our budget reflects the initiation of efforts to fully fund our pension annual required contribution (ARC) and to reduce the unfunded liability of our other post-employment benefits (OPEB). This budget adds \$15.0 million to our pension contribution, bringing total contribution to the ARC to \$35.0m. The budget pays for the increased pension costs by transitioning out of the OPEB (healthcare) costs. This is a significant change in how we manage employee healthcare. The cost reduction associated with this transition is \$27.0m. The City will still pay for the retiree healthcare cost for persons that are not eligible for Medicare. These transitions will not leave our past and current employees without viable and effective options for replacement of pensions and healthcare.

While these are major changes to our budget we feel that our direction aligns with maintaining resources for core government services, such as safety, and with the current best practices of efficient companies.

The FY 2015 *general fund expenditure budget* is \$596.7 million dollars. This is \$16.7 million less than FY 2014 adopted budget of \$613.4 million.

EXPENDITURES

Fund Type	FY2014 Adopted	FY2015 Proposed	Inc/ Dec
General Fund	\$ 613,402,538	\$ 596,776,927	\$ (16,625,611)

Other expenditure changes, not discussed above:

Expenditure Increases:

- ❖ \$6.0 million – Staffing –Primarily from the full implementation of initiatives put in place in FY14 and the addition of fleet personnel to the general fund. *A corresponding expense recovery for fleet employees is shown below.*
- ❖ \$ 3.1 million – Overtime Costs
- ❖ \$ 1.0 million – City Shop Fuel
- ❖ \$ 1.3 million – Various Grants – Specifically \$1.0 million to the National Civil Rights Museum
- ❖ \$ 5.3 million – Health Insurance

Expenditure Decreases:

- ❖ \$ - .6 million – Removal of funding for the Motor Vehicle Inspection Bureau
- ❖ \$ - 4.0 million – Elimination of transfer to the Health Fund Fund
- ❖ \$ - 6.0 million – Street Lighting – *transitioning responsibilities to the utility company*
- ❖ \$ - 9.5 million – Expense recovery for fleet employees in the General Fund.

The administration remains committed to seeking and evaluating opportunities to increase efficiencies and ensure the most cost effective service delivery options are in place.

Debt Service Fund Discussion

The Debt Service Fund provides for the accumulation of resources for the payment of principal, interest, and other costs of the City's general obligation bond debt. A major source of Debt Service Fund revenue is provided by an apportionment of the property tax rate. For FY 2015 the property tax revenues are budgeted at \$112.1. This is an increase of \$22.9 million from last years \$89.2 million. For FY 2015 the property tax rate for the debt fund is \$1.1067. This is \$0.20 cents higher than the FY 2014 budget. This increase is reapportionment of the general fund tax rate, which was lowered by a commensurate amount. The total tax rate is the same.

The total Debt Fund expenses for FY 2015 will be \$159.7million. This is \$209.3 less than the FY 2014 budget which included refinancing costs that are not in the FY 2015.

DEBT FUND

Fund Type	FY2014 Adopted	FY2015 Proposed	Inc/ Dec
Debt Fund	\$ 368,971,335	\$ 159,683,164	\$ (209,288,171)

The debt fund is budgeted to increase its committed fund balance by \$1.4 million to meet future principal and interest payments. The committed fund balance at the end of FY 2015 is expected to be \$19.4 million.



Enterprise Funds Discussion

Enterprise Funds account for the acquisition, operation and maintenance of the City's facilities. These funds are entirely or predominantly supported by user fees. Strategies for the enterprise funds include paying for their capital requirements. In the Sewer Fund capital expenses for FY 2015 will be paid for without the issuance of sewer revenue bonds. Capital purchases for the Storm Water Fund will be financed by G.O. bonds; however the debt service for those bonds will be paid for by Storm Water Fund revenues. Total Sewer Fund expenses are budgeted to be \$101.6 million. Sewer expects to contribute \$12.0 to its fund balance. Storm Water expenses are expected to be \$26.7 for FY 2015. The Storm Water fund will use approximately \$2.0 million of its fund balance.

ENTERPRISE FUND

Fund Type	FY2014 Adopted	FY2015 Proposed	Inc/ Dec
Sewer Treatment	\$ 104,250,000	\$ 101,691,000	\$ (2,559,000)
Storm Water	\$ 25,104,776	\$ 26,278,378	\$ 1,173,602
	\$ 129,354,776	\$ 127,969,378	\$ (1,385,398)

Internal Service Funds Discussion

Internal Service Funds (ISF) are used to budget for the costs of goods and services provided by one division to other City divisions. The City of Memphis' ISF's are the Healthcare Fund, OPEB, the Fleet Fund and the Unemployment compensation fund. The costs in these funds are reimbursed by the divisions utilizing the goods and services provided by the ICFs.

INTERNAL SERVICE FUND

Fund Type	FY2014 Adopted	FY2015 Proposed	Inc/ Dec
Health Care Fund	\$ 81,060,844	\$ 83,437,910	\$ 2,377,066
OPEB Fund	\$ 48,259,476	\$ 57,508,917	\$ 9,249,441
Fleet Mgmt	\$ 32,855,922	\$ 31,903,971	\$ (951,951)
Unemployment	\$ 1,062,414	\$ 1,408,131	\$ 345,717
	\$ 163,238,656	\$ 174,258,929	\$ 11,020,273

The Healthcare Fund is budgeting revenues of \$83.4 and expenses of \$81.9 million for FY 2015. Healthcare premiums are expected to increase in FY 2015. Therefore the employer and employee increases will provide new revenue for the healthcare fund.

The Fleet Fund and Unemployment Compensation Funds are budgeted for expenses of \$31.9 million and \$1.4 million respectively. We anticipate positive fund balances for both.

Special Revenue Funds Discussion

Special Revenue Funds (SRF) budgets revenues and allocates expenses for the revenues received for that specific purpose. Solid Waste and Metro Alarms are the major Special Revenue Funds. The largest fund, Solid Waste (SW) reduced its SW fees in accordance with a prior year agreement, in

BUDGET OVERVIEW

FY 2014. This reduction continues for FY 2015. The SW fund has increased its expenses to pay for new lease expenses for packers. Other funds that make up the Special Revenue Fund can be found in the Special Revenue section of this document.

SPECIAL REVENUE FUND

Fund Type	FY2014 Adopted	FY2015 Proposed	Inc/ Dec
State Street Aid	\$ 16,568,300	\$ 16,568,300	\$ -
Solid Waste	\$ 66,443,242	\$ 68,231,496	\$ 1,788,254
Drug Enforcement Fund	\$ 4,175,608	\$ 4,058,000	\$ (117,608)
Metro Alarm Fund	\$ 676,407	\$ 676,407	\$ -
MLK Improvement	\$ 131,000	\$ 151,090	\$ 20,090
Hotel/Motel Occupancy Tax Fund	\$ 4,151,457	\$ 4,151,457	\$ -
New Memphis Arena	\$ 4,440,000	\$ 4,440,000	\$ -
	\$ 96,586,014	\$ 98,276,750	\$ 1,690,736

